

MONONA COUNTY SANITARY LANDFILL AGENCY

**INDEPENDENT AUDITORS' REPORT
FINANCIAL STATEMENT
OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2013

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditors' Report	5-6
Management's Discussion and Analysis	7-9
Financial Statement:	<u>Exhibit</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Balance	A 11
Notes to Financial Statements	12-16
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	19-20
Schedule of Findings	21-23

Monona County Sanitary Landfill Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Terence Virtue	Chairperson	Monona County
Wesley Miller	Board Member	Monona County
Ivan Nielsen	Board Member	Member Cities
Keith Zediker	Board Member	Member Cities
Kenneth Casperson	Board Member	Appointed by the Agency
Joanne Fleck	Secretary – Treasurer	

Monona County Sanitary Landfill Agency



Diane McGrain, CPA
Jim Menard, CPA

September 13, 2013

Independent Auditors' Report

To the Members of the
Monona County Sanitary Landfill Agency:

We have audited the accompanying financial statement of Monona County Sanitary Landfill Agency as of and for the year ended June 30, 2013 and the related notes to financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinion on the financial statement based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Continued...

omni business centre
300 west broadway, suite 41
council bluffs, iowa 51503
712•322•8734 / fax 712•322•4699
www.schroer-cpa.com

September 13, 2013
Monona County Sanitary Landfill Agency
Independent Auditors' Report

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Monona County Sanitary Landfill Agency as of June 30, 2013, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

The other information, Management's Discussion and Analysis on pages 7 through 9, has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September, 2, 2013 on our consideration of Monona County Sanitary Landfill Agency's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Monona County Sanitary Landfill Agency's internal control over financial reporting and compliance.

Schroer & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Monona County Sanitary Landfill Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of the Monona County Sanitary Landfill Agency is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- The Agency's operating receipts decreased 4.16%, or approximately \$618,714, from fiscal 2012 to fiscal 2013.
- The Agency's operating disbursements decreased 13.89%, or approximately \$53,080, from fiscal 2012 to fiscal 2013.
- The Agency's cash balance decreased 7.58%, or approximately \$134,418, from June 30, 2012 to June 30, 2013.
- The Agency's interest income decreased 2.96%, or approximately \$8,835, from June 30, 2012 to June 30, 2013.

USING THIS ANNUAL REPORT

The Agency has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the Agency's cash basis of accounting, revenues and expenses and the related assets and liabilities as recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Agency's cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the financial statement. The annual report consists of the financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overviews of the Agency's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Balance presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.
- Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

The purpose of the statement is to present the receipts received by the Agency and the disbursements paid by the Agency, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the Agency's cash basis financial position by analyzing the increase and decrease in the Agency's cash balance.

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the Agency, as well as sales of recycled materials. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments and fixed asset purchases. A summary of cash receipts, disbursements and changes in cash balance for the years ended June 30, 2013 and June 30, 2012 as follows:

Changes in Cash Balance			
		Year Ended June 30,	
		2013	2012
Operating receipts:			
Tipping fees and gate charges	\$	136,336	\$ 270,109
City contributions		248,122	264,846
County contributions		110,482	126,207
Recycling material		29,761	33,628
Miscellaneous		7,699	6,324
Total operating receipts		<u>532,400</u>	<u>701,114</u>
Operating disbursements:			
Salaries and benefits		233,343	271,478
Solid waste contract		202,620	214,828
Monitoring and inspection fees		-	4,525
Site maintenance		3,985	12,290
Site utilities		8,496	7,024
Fuel and oil		13,958	29,570
Legal and accounting		119,903	111,747
Insurance		21,322	37,746
Recycled material and disposal		20,138	17,238
Rent		-	950
Repairs and supplies		40,766	16,440
Office expense		3,518	3,946
Board member fees		10,162	7,700
Miscellaneous		5,889	1,698
Total operating disbursements	\$	<u>684,100</u>	<u>\$ 737,180</u>
Deficit of operating receipts under operating disbursements		(151,700)	(36,066)
Non-operating receipts (disbursements):			
Interest on investments		17,282	26,117
Equipment and vehicles		-	(4,176)
Net non-operating receipts (disbursements)		<u>17,282</u>	<u>21,941</u>
Change in cash balance		(134,418)	(14,125)
Cash balance beginning of year		<u>1,019,293</u>	<u>1,033,418</u>
Cash balance end of year	\$	<u><u>884,875</u></u>	<u><u>\$ 1,019,293</u></u>
Cash Basis Fund Balance			
Restricted for:			
Closure	\$	226,677	\$ 217,784
Postclosure care		<u>289,237</u>	<u>289,237</u>
Total restricted cash basis fund balance		515,914	507,021
Unrestricted		<u>368,961</u>	<u>512,272</u>
Total cash basis fund balance	\$	<u><u>884,875</u></u>	<u><u>\$ 1,019,293</u></u>

In fiscal 2013, operating receipts decreased by \$168,714 or 4.16%. The decrease was due, primarily, to the lower census numbers of the 2010 census.

In fiscal 2013 operating disbursements decreased by \$53,0810 or 13.89% , due, in part, to spending less on site maintenance, fuel and salary expenses.

A portion of the Agency's cash balance, \$515,914, or 59%, is restricted for closure and postclosure care. State and federal laws and regulations require the Agency to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining cash balance, \$368,861, or 41% is unrestricted and can be used to meet the Agency's obligations as they come due. The restricted cash balance increased \$8,893, or 2%, during the year. The increase was due to additional funds set aside for closure and postclosure care. The unrestricted cash balance decreased \$143,311, or 28%, during the year due to professional fees incurred in planning to expand the landfill.

LONG TERM DEBT

At June 30, 2013, the Agency had no long term debt outstanding.

ECONOMIC FACTORS

Monona County Sanitary Landfill Agency did not improve its financial position during the current fiscal year. Some of the realities that may potentially become challenges for the Agency to meet are:

- Facilities require constant maintenance and upkeep.
- Equipment has been and will be purchased by the Agency. It will be an on going challenge to maintain equipment and technology at a reasonable cost.
- Technology continues to expand and current technology becomes outdated, presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to closure and postclosure care accounts are based on constantly changing cost estimates and the number of tons of sold waste received at the facility.

The Agency anticipates the current fiscal year will be profitable and will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Monona County Sanitary Landfill Agency, Turin, IA.

Monona County Sanitary Landfill Agency
Financial Statement

Monona County Sanitary Landfill Agency
Statement of Cash Receipts, Disbursements and
Changes in Cash Balance
Year ended June 30, 2013

Operating receipts:	
Tipping fees and gate charges	\$ 136,336
City contributions	248,122
County contributions	110,482
Recycling	29,761
Miscellaneous	7,699
Total operating receipts	<u>532,400</u>
Operating disbursements:	
Salaries and benefits	233,343
Solid waste contract	202,620
Site maintenance	3,985
Site utilities	8,496
Fuel and oil	13,958
Professional fees	119,903
Insurance	21,322
Recycled materials and disposal	20,138
Repairs and supplies	40,766
Office expense	3,518
Board member fees	10,162
Miscellaneous	5,889
Total operating disbursements	<u>684,100</u>
Deficit of operating receipts under operating disbursements	(151,700)
Non-operating receipts:	
Interest on investments	<u>17,282</u>
Change in cash balance	(134,418)
Cash balance beginning of year	<u>1,019,293</u>
Cash balance end of year	<u><u>\$ 884,875</u></u>
Cash Basis Fund Balance	
Restricted for:	
Closure	\$ 226,677
Postclosure care	289,237
Total restricted cash basis fund balance	<u>515,914</u>
Unrestricted	368,961
Total cash basis fund balance	<u><u>\$ 884,875</u></u>

See notes to financial statement

Monona County Sanitary Landfill Agency
Notes to Financial Statement
June 30, 2013

NOTE (1) Summary of Significant Accounting Policies

Monona County Sanitary Landfill Agency was formed in 1973 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to develop, operate and maintain landfill and recycling facilities in Monona County on behalf of the units of government which are members of the Agency.

The governing body of the Agency is composed of two representatives from the member cities, two representatives from Monona County, and one representative chosen by a majority of the designated representatives. The member cities are: Blencoe, Castana, Hornick, Mapleton, Moorhead, Onawa, Rodney, Soldier, Smithland, Turin, Ute and Whiting.

A. Reporting Entity

For financial reporting purposes, Monona County Sanitary Landfill Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisitions, operation and maintenance of government facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Monona County Sanitary Landfill Agency
Notes to Financial Statement
June 30, 2013

NOTE (1) Summary of Significant Accounting Policies – Continued

C. Basis of Accounting

Monona County Sanitary Landfill Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Agency is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payables for closure and postclosure care costs. Accordingly, the financial statement does not present the financial position and results of operations of the Agency in accordance with U.S. generally accepted accounting principles.

D. Net Assets

Funds set aside for payment of closure and postclosure care are classified as restricted.

NOTE (2) Cash and Pooled Investments

The Agency's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Cash, which consists of cash and certificates of deposit, totaled \$884,875 at June 30, 2013.

The Agency has no investments meeting the disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 3, as amended by Statement No. 40.

Interest rate risk

The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Agency.

Monona County Sanitary Landfill Agency
Notes to Financial Statement
June 30, 2013

NOTE (3) Pension and Retirement Benefits

The Agency contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual salary and the Agency is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$16,577, \$17,331 and \$9,081, respectively, equal to the required contributions for each year.

NOTE (4) Closure and Postclosure Care

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure plan to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty year care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Monona County Sanitary Landfill Agency have estimated to be \$222,863 for closure and \$291,450 for postclosure, for a total of \$514,313 as of June 30, 2013. The estimated remaining life of the landfill is 2 years, with 6,000 tons of the landfill's capacity remaining at June 30, 2013.

Monona County Sanitary Landfill Agency
Notes to Financial Statement
June 30, 2013

NOTE (4) Closure and Postclosure Care Costs – Continued

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has accumulated resources to fund these costs and, at June 30, 2013, assets of \$502,331 are restricted for these purposes, of which \$213,094 is for closure and \$289,237 is for postclosure care. They are reported as restricted cash balance in the Statement of Cash Receipts, Disbursements and Changes in Cash Balance.

Also, pursuant to Chapter 567-113.14 of the Iowa Administrative Code (IAC), if the estimated closure and postclosure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Agency must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in-period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number of years remaining in the pay-in-period

Chapter 567-113.14(8) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Agency is not required to establish closure and postclosure accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

NOTE (5) Transfer Station Closure Care

To comply with state regulations, the Agency is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces that have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles that will remain on site, including the rinsing of all surfaces that have come in contact with solid waste, and the removal and proper management of all washwater in the washwater management system.

To comply with state regulations, the Agency is required to maintain a closure account as financial assurance for the closure care costs. The effect of the state requirement is to commit transfer station owners to perform certain closing functions as a condition for the right to operate the transfer station in the current period.

Monona County Sanitary Landfill Agency
Notes to Financial Statement
June 30, 2013

NOTE (5) Transfer Station Closure Care - Continued

The total closure care costs for the Agency as of June 30, 2013 have been estimated at \$8,024.

As of June 30, 2013, the Agency has restricted \$13,583 as reported on the Statement of Cash Receipts, Disbursements and Changes in Cash Balance.

NOTE (6) Contingency

Every three years the Iowa Department of Natural Resources issues permits for sanitary landfill operations. At this time, the Agency has a three year permit, effective January 2013, for their C & D (construction and demolition) operation.

The Agency indicated they would construct a new cell at the C & D site and continue the transfer station for both C & D and municipal solid waste operations.

NOTE (7) Risk Management

The Monona County Sanitary Landfill Agency is exposed to various risks of loss related to torts; theft; damages to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE (8) Solid Waste Hauling Contract

The Agency entered into a contract on October 25, 2002 effective November 1, 2002 for hauling solid waste. Under this contract the contractor will haul the Agency's solid waste from the Agency's transfer station to the contractor's landfill site at Jackson, Nebraska. During the year ended June 30, 2013 the contractor was paid \$202,620. The Agency is obligated to fulfill the terms of this contract through the expiration date of this contract on December 1, 2013.

The fees for this service are based on tons hauled with the rate increasing by 2% cumulative over the first six years of the contract and will then be negotiated for the remainder of the contract. Due to the complexity of the contract pricing, future minimum payments cannot be reasonably determined.

NOTE (9) Concentration of Risk

Contributions recognized from Monona County and the City of Onawa represent 48% and 21%, respectively, of total operating receipts as of June 30, 2013.

**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of a Financial Statement
Performed in Accordance with *Governmental Auditing Standards***

Monona County Sanitary Landfill Agency



Diane McGrain, CPA
Jim Menard, CPA

September 13, 2013

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of a Financial Statement
Performed in Accordance with Governmental Auditing Standards

To the Members of the
Monona County Sanitary Landfill Agency:

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Monona County Sanitary Landfill Agency as of and for the year ended June 30, 2013, and the related notes to financial statement, and have issued our report thereon dated September 13, 2013. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Monona County Sanitary Landfill Agency's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Monona County Sanitary Landfill Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Monona County Sanitary Landfill Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Monona County Sanitary Landfill Agency's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items I-A-13 and I-B-13 to be material weaknesses.

Continued...

omni business centre
300 west broadway, suite 41
council bluffs, iowa 51503
712•322•8734 / fax 712•322•4699
www.schroer-cpa.com

Monona County Sanitary Landfill Agency
Report on Internal Control and on Compliance

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Monona County Sanitary Landfill Agency's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Monona County Sanitary Landfill Agency's Responses to Findings

Monona County Sanitary Landfill Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Monona County Landfill Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Monona County Sanitary Landfill Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schroer + Associates, P.C.

Monona County Sanitary Landfill Agency
Schedule of Findings
Year ended June 30, 2013

Part I: Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

- I-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over receipts, including collecting and depositing for which no compensating controls exist. Generally, one individual has control over disbursements, including posting, check signing and reconciling, for which no compensating controls exist.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Current personnel should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review. This would also include adding a second signer to all checks written.

In addition, the Agency should consider methods to control cash receipts at the landfill.

Response – Currently, all expenditures are reviewed by the board members after the checks are signed. All receipts from the Landfill are recorded on numbered tickets which are reflected on each deposit slip. The Agency will analyze other procedures and personnel to determine the feasibility of additional control.

Conclusion – Response accepted.

- I-B-13 Cancellation of Invoices – During the audit, we identified 2 invoices out of 70 transactions tested that were not cancelled after payment and should have been.

Recommendation – The Agency should review and monitor procedures to insure all invoices are cancelled to prevent duplicate payments.

Response – We will review our procedures for cancelling invoices after payment.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Monona County Sanitary Landfill Agency
Schedule of Findings
Year ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-13 Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-B-13 Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- II-C-13 Agency Minutes – 2 out of 70 transactions tested should have been approved in the Agency minutes but were not. The minutes, including the schedule of bills allowed and gross salaries, were not published as required by Chapter 28E.6(3) of the Code of Iowa.
- Recommendation – The Agency should monitor procedures to insure all claims are properly approved and ensure the minutes, including the schedule of bills allowed and gross salaries, are published as required.
- Response – We will review our procedures. Claims were occasionally missed. This recommendation will be followed for future publications.
- Conclusion – Response accepted
- II-D-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 13B and Chapter 13C of the Code of Iowa and the Agency's investment policy were noted.
- II-E-13 Solid Waste Tonnage Fees Retained – No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.
- II-F-13 Financial Assurance – The Agency has elected to demonstrate financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code (IAC). The calculation is made as follows:

Monona County Sanitary Landfill Agency
Schedule of Findings
Year ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-F-12 Financial Assurance (Continued)

		Transfer Station <u>Closure</u>	C & D Landfill <u>Closure</u>	Postclosure <u>Postclosure</u>
Total estimated costs for closure and postclosure care	\$	8,024	222,863	291,450
Less: Balance of funds held in local dedicated fund at June 30, 2012		<u>13,377</u>	<u>204,407</u>	<u>289,237</u>
		(5,353)	18,456	2,213
Divided by the number of years remaining in the pay-in-period	÷	1	2	2
Required payment into local dedicated fund at June 30, 2013		(5,353)	9,228	1,107
Balance of funds held in the local dedicated fund at June 30, 2012		<u>13,377</u>	<u>204,407</u>	<u>289,237</u>
Balance of funds required to be held in the local dedicated fund at June 30, 2013	\$	<u>8,024</u>	<u>213,635</u>	<u>290,344</u>
Amount Agency has restricted and reserved for closure and postclosure care at June 30, 2013	\$	<u>13,583</u>	<u>213,094</u>	<u>289,237</u>

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure care accounts be made at least yearly, and the deposits shall be made within 30 days of the close of each fiscal year. The required deposit was made July 22, 2013.